

## Message Text

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ACTION EUR-12

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SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: SEPT 5-11

1. SUMMARY: FOREIGN EXCHANGE MARKET NERVOUS. MOST CURRENCIES  
SLIGHTLY HIGHER AGAINST SWISS FRANC. GOLD PRICE ROSE  
FROM 108 TO 114 IN HECTIC TRADING. THOUGH RECESSION IN  
SWITZERLAND APPEARS ENDED, RECOVERY SLOW. INDICATORS  
FOR SEVERAL KEY INDUSTRIES REMAIN DEPRESSED. ONE EXAMPLE IS  
CHEMICAL INDUSTRY WHOSE SPOKESMEN DISCUSSING POSSIBLE TRANSFER  
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MANUFACTURING ABROAD. UNEMPLOYMENT RATE DOWN TO 0.5

PERCENT. WHOLESALE PRICE INDEX DECLINED 0.1 PERCENT DURING AUGUST WHILE CONSUMER PRICE INDEX ROSE 0.4 PERCENT. INDEX OF INDUSTRIAL PRODUCTION ROSE 2 PERCENT DURING SECOND QUARTER 1976.

#### FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE MARKET NERVOUS. MOST CURRENCIES SLIGHTLY HIGHER AGAINST SWISS FRANC. UPWARD PRESSURE DUE PRIMARILY TO DEPRECIATION POUND STERLING. SWISS NATIONAL BANK INTERVENED DURING WEEK. GOLD MARKET HECTIC AS PRICE ROSE FROM 108 TO 115. BANKS BELIEVE PRICE RISE DUE SEASONAL DEMAND, FORWARD PURCHASES COVERING AGAINST FURTHER DECLINE IN PRICE, AND MARKET REACTION TO SUPPORT EUROPEAN COUNTRIES FOR ITALIAN REQUEST IMF SUSPEND GOLD SALES. SNB PURCHASED SF 12 BILLION FOREIGN EXCHANGE THROUGH MARKET INTERVENTIONS FIRST 8 MONTHS 1976; SF 10 BILLION REEXPORTED OR CONVERTED INTO PRIVATE BANK CREDITS, NOTABLY TO FRG. RATES FOLLOW:

	9/6 (OPEN)	9/10 (CLOSE)
SPOT DOLLAR	2.4785	2.4812
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	4.50	4.30
2 MONTHS	4.09	4.33
3 MONTHS	4.24	4.32
6 MONTHS	3.77	3.93
12 MONTHS	3.81	3.94
SF/DM	98.27	98.73
GOLD	108.00	115.25

3. CAPITAL AND MONEY MARKETS: MARKETS NERVOUS. CALL MONEY RATE REMAINED 0.5 PERCENT. AVERAGE YIELD CONFEDERATION BONDS SLIPPED TO 4.96. SOME STOCKS, INCLUDING THOSE OF BANKS, REGISTERED SLIGHT DECLINE, SKA INDEX (1959 EQUALS 100) FELL TO 207.2, AUG 10. CAISSE NATIONALE DES TELECOMMUNICATIONS, PARIS, ANNOUNCED STATE-GUARANTEED LOAN SF 80 MILLION ON SWISS MARKET SEPT 16 AT 6 PERCENT INTEREST FOR 15 YEARS. NEW UNCLASSIFIED

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BRUNSWICK POWER COMMISSION, CANADA, LOAN SF 80 MILLION AT 6 PERCENT INTEREST HEAVILY OVERSUBSCRIBED. SWITZERLAND GRANTING SF 2.6 MILLION TO HELP REBUILD ITALIAN EARTHQUAKE DAMAGED TOWN AND EXTENDING TUNISIA SF 10 MILLION CREDIT IN CONJUNCTION SF 30 MILLION BANK CONSORTIUM LOAN FOR INDUSTRIAL PROJECTS.

ECONOMIC

4. RECOVERY: OPINION DIVIDED WHETHER SWISS ECONOMY HAS PASSED TURNING POINT IN RECESSION AND UPSWING UNDERWAY. SOME OBSERVERS SEE DEFINITE SIGNS UPTURN, OTHERS NOTE KEY INDUSTRIES REMAIN DEPRESSED, E.G., METAL AND MACHINES, WATCH AND BUILDING INDUSTRIES. EXPERTS AGREE THAT RECOVERY DEPENDS ON EXPORT PERFORMANCE BUT FOREIGN DEMAND REMAINDER 1976 NOW BELIEVED TOO WEAK TO GENERATE GROWTH AND PACE RECOVERY PREDICTED OVER PAST FEW MONTHS.

5. JOBLESS: UNEMPLOYMENT DOWN 1,331 OR 8.6 PERCENT TO 14,091 DURING AUG; INCLUDES 3,746 FOREIGN WORKERS. UNEMPLOYMENT RATE NOW 0.5 PERCENT. UNFILLED POSITIONS DECREASED 3.1 PERCENT TO 5,107. UNEMPLOYMENT HIGHEST IN METAL AND MACHINE INDUSTRY (2,739) RETAIL SALES (3,346) AND TECHNICAL FIELDS (1,552). UNEMPLOYMENT INCREASED 1.9 PERCENT TO 1,049 IN WATCH AND JEWELRY INDUSTRY. GENEVA COUNCIL HAS AUTHORIZED TEMPORARY HIRING 200 JOBLESS WHO EXHAUSTED EMPLOYMENT BENEFITS; SF 1.6 MILLION ALLOCATED FOR 4 MONTHS EMPLOYMENT PUBLIC SERVICE JOBS.

6. CHEMICAL INDUSTRY. ACCORDING INDUSTRY SPOKESMEN, DIFFICULTIES PERSIST IN CHEMICAL INDUSTRY DESPITE IMPROVED SALES THIS YEAR, WHICH RETURNED TO 1974 LEVEL. EXPORTS, 80 PERCENT OF SALES, ROSE 11.7 PERCENT FIRST SEVEN MONTHS 1976. CAPACITY UTILIZATION ABOUT NORMAL, THOUGH EMPLOYMENT HAS FALLEN 3 PERCENT TO 64,000. HOWEVER, PROFITS STILL DEPRESSED AS IN OTHER INDUSTRIES. LOW INFLATION RATE APPARENTLY HAS NOT BENEFITED SWISS PRICE COMPETITIVENESS; PROFITS NOT ADEQUATE MEET COSTS OF LEVEL RESEARCH AND INNOVATION REQUIRED REMAIN COMPETITIVE. RESTRUCTURING EXPECTED; TRANSFER MANUFACTURE UNCLASSIFIED

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ABROAD COULD RESOLVE PROBLEMS DUE APPRECIATION SWISS FRANC, LIMITED AVAILABILITY SWISS MANPOWER, TRANSPORTATION COSTS AND PROTECTIONIST MEASURES OF OTHER COUNTRIES. SPOKESMEN URGED SWISS GOVT AVOID OVER-BURDENING INDUSTRY WITH TAXES AND COSTLY ADMINISTRATIVE MEASURES.

7. INDUSTRIAL PRODUCTION: INDEX OF INDUSTRIAL PRODUCTION ROSE 2 PERCENT DURING SECOND QUARTER 1976 COMPARED SAME PERIOD 1975. INCREASE WAS 5 PERCENT IF ELECTRICITY, GAS AND WATER OUTPUT, WHICH DECLINED 21 PERCENT DUE LOW WATER SUPPLY, IS OMITTED.

8. PRICES: WHOLESALE PRICE INDEX END AUG DOWN 0.1 PERCENT FROM JUL BUT UP 0.2 PERCENT FROM AUG 1975. MOST AGRICULTURAL WHOLESALE PRICES DECLINED WHILE TEXTILES

AND PLASTICS ROSE. CONSUMER PRICE INDEX INCREASED 0.4 PERCENT DURING AUG AND WAS 1.5 PERCENT OVER AUG 1975. CONSUMER PRICES FOR FOOD, HEATING FUELS AND EDUCATION ROSE WHILE BEVERAGES AND GASOLINE DECLINED. AVERAGE MONTHLY CPI INCREASE 2 PERCENT JAN-AUG 1976 COMPARED 8 PERCENT SAME PERIOD 1974 AND 1975. FIRST TIME SINCE 1968 THAT CPI INCREASE UNDER 2 PERCENT DURING AUG. FEDERAL COUNCIL HAS RENEWED SYSTEM OF PRICE SURVEILLANCE, NOTING INFLATION NOT UNDER CONTROL IN MANY COUNTRIES. DAVIS

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